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SCOTT MISENER STEAMSHIPS LIMITED



ANNUAL REPORT 1974

Chairman

RALPH S. MISENER

Vice-Chairman

J. N. McWATTERS

President

SCOTT A. MISENER

SCOTT MISENER STEAMSHIPS LIMITED

annual report 1974

officers

Chairman of the Board and Chief Executive Officer	Ralph S. Misener
Vice-Chairman of the Board ..	J.N. McWatters
President	Scott A. Misener
Vice-President	G.D. Clarke
Vice-President	J.F. Vaughan
Secretary	G.M. Carl
Treasurer	J.F. Vaughan
Assistant Secretary	P.G. Cathcart
Assistant Secretary	G.A. Crompton

directors

T.R. Anderson
Nixon Berry, Q.C.
G.M. Carl
G.D. Clarke
Hon. John J. Connolly, P.C., O.B.E., Q.C.
John H. Luxton
J.N. McWatters, F.C.I.S.
Ralph S. Misener
Scott A. Misener
Robert S. Pierson
George C. Stewart
J.F. Vaughan, C.A.

honorary directors

A.E. Pequegnat
Frank H. Brown, C.B.E.

SCOTT MISENER STEAMSHIPS LIMITED

SHIPS OF THE FLEET

	Grain Capacity in Bushels
S.S. GEORGE M. CARL	550,000
S.S. JOHN A. FRANCE	900,000
S.S. JOHN O. McKELLAR	710,000
S.S. J.N. McWATTERS	900,000
S.S. JOHN E.F. MISENER	675,000
M.V. RALPH MISENER	930,000
S.S. SCOTT MISENER	775,000
S.S. ROYALTON	440,000

AUDITORS' REPORT

To the Shareholders of

Scott Misener Steamships Limited:

We have examined the consolidated balance sheet of Scott Misener Steamships Limited and its subsidiaries as at March 31, 1974 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1974 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada,
May 16, 1974.

Clarkson, Gordon & Co.
Chartered Accountants.

OFFICERS

Chairman of the Board and
Chief Executive Officer Ralph S. Misener

President Scott A. Misener

Vice President, Finance J. F. Vaughan

Vice President, Operations G. D. Clarke

Secretary G. M. Carl

Treasurer J. F. Vaughan

Assistant Secretary P. G. Cathcart

Assistant Treasurer G. A. Crompton

DIRECTORS

T. R. Anderson

Nixon Berry, Q.C.

G. M. Carl

G. D. Clarke

Hon. John J. Connolly, P.C., O.B.E., Q.C.

J. H. Luxton

Ralph S. Misener

Scott A. Misener

Paul J. Misener ✓

George C. Stewart

J. F. Vaughan, C.A.

W. F. Wilks

J. F. Vaughan, C.A.

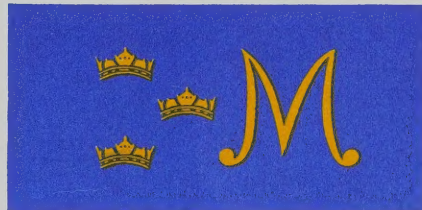
HONORARY DIRECTORS

Frank H. Brown, C.B.E.

A. E. Pequegnat

can corp

**SCOTT MISENER
STEAMSHIPS LIMITED**

**INTERIM REPORT**

For the six months ended

September 30, 1974

St. Catharines

Chairman
RALPH S. MISENER

President
SCOTT A. MISENER

SCOTT MISENER ST
CONSOLIDATED STATEMENT FOR THE
(with comparative

INCOME:

	Six Months Ended September 30	
	<u>1974</u>	<u>1973</u>
Gross Revenues:	✓ <u>7,161,000</u>	<u>8,345,037</u>
Operating Profit before providing for Depreciation on Vessels.....	2,116,927	3,256,174
Depreciation on Vessels.....	<u>931,219</u>	<u>939,094</u>
Operating Profit	1,185,708	2,317,080
Interest on Funded Debt	<u>359,719</u>	<u>435,014</u>
	✍ 825,989	✍ 1,882,066
Add:		
Other Income	<u>181,948</u>	<u>85,064</u>
Income Before Taxes	1,007,937	1,967,130
Income Taxes	<u>510,500</u>	<u>994,000</u>
Net Income for Period	✓ <u>497,437</u>	✓ <u>973,130</u>
Income per Common Share	.66	1.30
Income per Common Share after deducting dividend rights on first preference shares	✓ .56	✓ 1.19

Note: The above figures show the results for the first six months of

SOURCE AND APPLICATION OF FUNDS

	Six Months Ended September 30	
	<u>1974</u>	<u>1973</u>
Source of Funds:		
Operations — Net Income for period	497,437	973,130
Items not affecting working capital:		
Depreciation	931,219	939,094
Amortization of past service pension costs	25,000	25,000
Deferred Income Taxes	<u>(110,000)</u>	<u>956,000</u>
	1,343,656	2,893,224
Application of Funds:		
Additions to Vessels & Equipment	31,141	52,396
Current requirements on long term debt	<u>—</u>	<u>850,000</u>
	31,141	902,396
Dividends Declared	<u>77,761</u>	<u>38,880</u>
	<u>108,902</u>	<u>941,276</u>
Net Increase in Working Capital	<u><u>1,234,754</u></u>	<u><u>1,951,948</u></u>

one-month vessel operating season and should not be extrapolated.



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REPORT TO SHAREHOLDERS

The earnings of our Company continued to improve throughout the 1973 season and although the revenue increased considerably the return on capital invested has not as yet reached a satisfactory level. Further improvement is possible this season if our labour contracts can be resolved without further interruption of earnings from work stoppages.

The growing demand for water transportation, particularly on the Great Lakes and the Seaway System, will further strengthen the competitive position of our industry. Water transportation is the most efficient and least costly method, to both the producer and consumer, of moving bulk commodities from tide water to the industrial heart of the Continent and grain and bulk materials from the Midwest to the seaboard. The Great Lakes and St. Lawrence River follow the natural and gradual flow of the terrain and these lakes and improved channels make this possible.

Extremely mild weather early in 1973 enabled us to have all the vessels of our Fleet in operation before the end of March. However, the grain elevators in the St. Lawrence, due to lack of ocean tonnage, were soon filled to capacity and it was well into May before this congestion was relieved. Later, the railway strike depleted the stocks of grain at the Lakehead and these stocks did not return to normal supply before the end of December.

Excellent U.S. grain sales in the meantime offered some diversity to the Lakehead problem and resulted in a steady increase in the rates offered for this tonnage. Cargoes of salt, coke and bentonite for our smaller vessels enabled us to employ them out of the grain trade during this period and improve their earnings.

I am pleased to report, however, that despite all the delays and problems mentioned above, the 1973 season established a new Company record for tonnage transported. Winter weather conditions set in early in December and this, combined with the lack of Canadian grain cargoes, prevented operation of our vessels into January as we had anticipated.

We have great pride in the Officers of our ships and the men who sail on them and their loyal service to your Company. On behalf of the executive officers and directors of your Company, we wish to express to them and the shoreside personnel, our sincere appreciation.

On behalf of the Board

Ralph S. Misener
Chairman of the Board and Chief Executive Officer

Scott A. Misener
President and General Manager

SCOTT MISENER S

(Incorporated und

CONSOLIDATE

March

(with comparative fi

	<u>ASSETS</u>	
	<u>1974</u>	<u>1973</u>
CURRENT:		
Cash and short term deposits	\$ 2,691,099	\$ 1,598,676
Marketable investments at cost and accrued interest (which approximates market value)	179,893	81,560
Accounts receivable	252,916	251,765
Fuel, supplies and other prepaid expenses	229,185	177,377
Total current assets	<u>3,353,093</u>	<u>2,109,378</u>
FIXED - at cost		
Vessels	39,743,543	39,706,828
Less accumulated depreciation ...	<u>19,748,109</u>	<u>18,396,243</u>
	19,995,434	21,310,585
Land and other fixed assets	230,275	196,743
Less accumulated depreciation ...	<u>136,770</u>	<u>115,748</u>
	93,505	80,995
Total fixed assets	<u>20,088,939</u>	<u>21,391,580</u>
DEFERRED PENSION COSTS less		
amounts written off (note 2)	29,167	79,167
On behalf of the Board:		
Scott A. Misener, Director		
J.F. Vaughan, Director		
	<u>\$23,471,199</u>	<u>\$23,580,125</u>

See accompanying notes to

SHIPS LIMITED

(In accordance with the laws of Canada)

BALANCE SHEET

1974

March 31, 1973)

LIABILITIES

	<u>1974</u>	<u>1973</u>
CURRENT:		
Accounts payable and accrued charges \$	459,629	\$ 454,781
Taxes payable	24,652	16,687
Dividend payable	38,880	
Current requirements on long term debt	600,000	800,000
Total current liabilities	1,123,161	1,271,468
LONG TERM DEBT (note 3)	7,200,000	8,650,000
DEFERRED INCOME TAXES	9,210,000	8,058,000
SHAREHOLDERS' EQUITY:		
Capital stock — 5½% cumulative redeemable first preferred shares of the par value of \$20 each: <u>151,896 shares authorized of which 141,383 are outstanding ..</u>	2,827,660	2,827,660
Common shares of no par value: 1,500,000 shares authorized of which 750,000 shares are issued	30,000	30,000
	2,857,660	2,857,660
Retained earnings (note 4)	3,080,378	2,742,997
	5,938,038	5,600,657
	<u>\$23,471,199</u>	<u>\$23,580,125</u>

SCOTT MISENER STEAMSHIPS LIMITED
CONSOLIDATED STATEMENT OF INCOME AND
RETAINED EARNINGS

FOR YEAR ENDED MARCH 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
INCOME		
Gross revenues	\$ 12,556,948	\$ 9,962,349
Operating profit before providing for depreciation	\$ 4,009,345	\$ 3,004,369
Deduct depreciation	1,372,888	1,378,318
Operating profit	2,636,457	1,626,051
Interest on long term debt	603,871	691,733
	2,032,586	934,318
Investment and other income	242,002	67,424
Income before taxes	2,274,588	1,001,742
Income taxes	1,159,600	505,900
Net income for year	<u>1,114,988</u>	<u>495,842</u>
Income per common share after deducting the dividend requirement on first preferred shares	<u>\$1.28</u>	<u>\$.45</u>

RETAINED EARNINGS

Retained earnings at beginning of year	\$ 2,742,997	\$ 2,247,155
Net income for year	1,114,988	495,842
Dividends declared on preferred shares (note 4)	(777,607)	
Retained earnings at end of year	<u>\$ 3,080,378</u>	<u>\$ 2,742,997</u>

See accompanying notes to consolidated financial statements.

SCOTT MISENER STEAMSHIPS LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS

FOR YEAR ENDED MARCH 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
SOURCE OF FUNDS:		
Operations —		
Net income for year	\$ 1,114,988	\$ 495,842
Items not affecting working capital:		
Depreciation	1,372,888	1,378,318
Amortization of past service pension costs	50,000	50,000
Loss on disposal of fixed assets		(156)
Deferred income taxes	1,152,000	490,000
Funds from operations	<u>3,689,876</u>	<u>2,414,004</u>
Proceeds from disposal of fixed assets		2,211
	<u>3,689,876</u>	<u>2,416,215</u>
APPLICATION OF FUNDS:		
Additions to vessels and equipment	70,247	212,350
Current requirements on long term debt	600,000	800,000
Repayment of bank loan due June 1, 1974	850,000	
Dividends declared	777,607	
	<u>2,297,854</u>	<u>1,012,350</u>
INCREASE IN WORKING CAPITAL	1,392,022	1,403,865
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	<u>837,910</u>	<u>(565,955)</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 2,229,932</u>	<u>\$ 837,910</u>

See accompanying notes to consolidated financial statements.

SCOTT MISENER STEAMSHIPS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1974

(1) Accounting principles —

- (a) The consolidated financial statements include the accounts of all of the company's subsidiary companies. The minority interest in the subsidiaries is not significant.
- (b) The company provides for depreciation of vessels built for it at an annual rate of 3-1/3% of cost. Vessels which were in service prior to acquisition by the company and other fixed assets are depreciated at rates sufficient to amortize their cost over the remainder of their estimated useful lives.
- (c) The company follows the tax allocation method of providing for income taxes. Depreciation deductible in determining taxable income substantially exceeds depreciation recorded in the accounts. Accordingly, payment of all income taxes provided in 1973 and 1974 has been deferred to future years (except for minor amounts payable by a subsidiary company).

(2) Pension plan —

Effective November 1, 1964 the company instituted a pension plan for salaried personnel and an amount of \$500,000 was paid for past service pensions, which is being amortized over a ten-year period commencing November 1, 1964. The most recent actuarial revaluation, as of November 1, 1972, indicated that there was no significant unfunded liability for past services.

(3) Long term debt —

This consists of:

	<u>1974</u>	<u>1973</u>
First mortgage bonds —		
Authorized to be outstanding at any one time — \$12,000,000		
Issued less redeemed —		
Sinking fund 6.8% bonds series "D" due November 30, 1986 ...	\$ 7,800,000	\$ 8,400,000
Bank loan 7.5% due June 1, 1974 (repaid during 1974)		1,050,000
	<u>7,800,000</u>	<u>9,450,000</u>
Less current requirements on long term debt	600,000	800,000
	<u>\$ 7,200,000</u>	<u>\$ 8,650,000</u>

Sinking fund requirements during the next five fiscal years are \$600,000 each year.

(4) Retained earnings —

- (a) Retained earnings in the amount of \$210,260 are designated as capital surplus in accordance with Section 62 of the Canada Corporations Act as a result of the redemption of 10,513 preferred shares in prior years.
- (b) The trust deeds securing the first mortgage bonds contain certain restrictions on distributions to shareholders.
- (c) During the year ended March 31, 1974 arrears of cumulative dividends on the 5½% redeemable first preferred shares of \$622,085 and dividend requirements on these preferred shares for the current year of \$155,522 were declared and deducted from retained earnings.

(5) Statutory information —

As defined by the Canada Corporations Act, the company has twelve directors and six officers (all of whom are directors). Expenses for 1974 include remuneration to the above as follows:

(i) fees of directors	\$ 27,100
(ii) remuneration of officers	209,291
	<u>\$ 236,391</u>

